COMMENTS ON STANDARDS SETTING AND INTELLECTUAL PROPERTY

Richard J. Holleman[1]

April 10, 2002

These comments are based on a related paper of mine on standards setting.[2] They are provided in regard to the FTC/DOJ hearings on competition and intellectual property and concern the use of patented technologies in the development of technical standards. Based on my 25 years experience in technical standards development, I believe that any FTC action which may restrict intellectual property rights or impose mandatory obligations on those participating in standards-setting would have detrimental results.

First, it is important to point out that for decades Standards Development Organizations (SDOs) have been developing standards that involve patented technologies for their implementation. Moreover, the number of disputes that exist in connection with the inclusion of patented material in standards, while the subject of much discussion and press, remains very small when viewed in the context of overall standards development

I also believe that a single set of uniform guidelines will deprive the U.S. of its current flexibility in developing standards according to different processes and policies that in turn are driven by the objective of the particular standards project and related market factors. Many of the leading technology SDOs recognize that patented technology often reflects the best technical alternative for a standard, and therefore patent owners should be provided the incentive to have their technology included in the standard.

The standards-setting process is very complex and to make it work effectively any disclosure duty should be limited to essential patents, not some vague broader disclosure requirement. For example, to impose a duty to disclose any patents that "might" be relevant creates a continuing nightmare because a developing standard may go through much iteration before it ultimately results in an approved standard. Such a duty would require a patent owner to make a determination at each stage of the process as to what patents "might" be relevant. Not only would this inherently entail a subjective decision that might not be universally agreed upon, but would require tremendous resources. In addition, what might be even a greater negative would be that such a process would invariably lead to more disputes in the standards process, and thereby slow standardization.

A broad disclosure standard, which is vague and ambiguous as to both timing and scope of disclosure, could lead to overly general and largely useless disclosures. Because patent owners would be uncertain whether and when disclosure would be required, they would be likely to err on the side of disclosing too much, thereby creating confusion and slowing the standards

---

[1] Mr. Holleman is a former Director of Standards for IBM and has been involved with standards development activity for technology for 25 years. He is presently the Treasurer of the IEEE Standards Association (IEEE-SA) having also served as chairman of the IEEE-SA Standards Board. He is also a consultant to Rambus,Inc.

[2] Richard J. Holleman, *A Response: Government Guidelines Should Not Be Issued in Connection with Standards Setting*

development process. These problems are compounded if a broad disclosure requirement is extended to cover patent applications.

Patent applicants who are required to disclose unpublished applications also face disincentives from participating in the process, especially if such disclosure was mandated before it is even clear what the standard's and the patent's final scope will be. In addition, the dynamism of the patent approval process would place applicants at a competitive disadvantage if they were required to disclose applications. Claims set forth in an application may not be the same as those that are ultimately reflected in the issued patent, and premature disclosure may hinder the patent owner's ability to enforce and defend its lawfully obtained patent in subsequent proceedings. It is also important to understand that the individuals who attend standards meetings may not have any specific knowledge concerning their company's patent portfolios. A standard of what that person knows or reasonably should know is so uncertain there will be no ability for standards development participants to determine in any meaningful way whether or not they are in compliance.

Voluntary early disclosure of patent rights can be beneficial to the standards process. It is addressed in the ANSI Guidelines and many SDOs, based on the ANSI Guidelines and good counseling, have adopted procedures that encourage early disclosure. However, problems will arise if a mandatory obligation of early disclosure is imposed and these problems are magnified if early disclosure of patent applications is required. Applying mandatory obligations would expose standards participants to uncertainty and possible liability to the extent that they may opt to commercialize their technology through alternate means. It is also very difficult to establish a clear point during the standards process, other than prior to the adoption of the standard, when the disclosure obligation would be triggered.

There currently is no inherent duty to search and SDOs do not impose such a duty. The cost of doing so for companies with even modest patent portfolios could be prohibitive. Yet, the proposals relating to mandatory disclosure are likely to effectively compel such a duty to search. Specifically, to comply with a duty to disclose information that a company or its representatives know or reasonably should know will invariably lead to repeated searches of a company's patent portfolio. Otherwise, the potential for later legal claims and potential liability would be enormous. To support a claim someone would just have to allege that the patent owner should have known of the extent of its property and that it would have been reasonable for it to search. Like many other situations, the fact that this may not be an accurate position would not diminish the likelihood of related lawsuits being filed.

Suggestions that the imposition of governmental guidelines to address "deliberate" conduct regarding the withholding or insulating of relevant information would also be a mistake and unnecessary. First, a patent owner has the right to disclose or not to disclose whatever information it wants concerning its patents. A mandatory obligation of disclosure may be viewed as taking away those rights. Second, based on the recent cases and proceedings involving standards conduct, a variety of legal remedies exist to address abusive conduct. A generalized government guideline will not add any clarity to the situation; to the contrary, it will just add to the issues for litigation.

I believe there is a misperception of how potential license terms are discussed. First, more often than not, patent owners provide statements that if they have patents that are essential to the implementation of the standard being developed they will license such patents on reasonable nondiscriminatory terms. Then, outside of the activities of the SDO, individual standards participants are able to approach the patent holder to inquire of available licensing terms. The patent holder is also free to publicly state what its license terms will be. To the extent the patent holder does not make such a statement, or declines to engage in discussions with individual standards participants, it is always the discretion of the standards participant to not support the patent holder's technology or to propose an alternative technology to the standards developing committee. Ultimately, a consensus will establish what technology to support. The discussion in the SDO, however, should be focussed on technical issues – not licensing terms and conditions. Otherwise, individuals who are not knowledgeable about or authorized to make decisions about licensing terms will be placed in a position of having to do so. SDOs could also face potential claims of facilitating anticompetitive conduct.

Any suggestion that licensing terms in connection with standards should be limited solely to the practice of the standard is wholly impracticable. Standards are not developed in isolation. The participants in standards bodies are typically engaged in aggressive competition with each other in the marketplace, and licenses are based on many factors arising from innumerably varied relationships. Imposing an artificial constraint on competition by limiting what may or may not be licensed because a standard is involved should not be the role of the federal antitrust agencies. Such suggestions are reminiscent of proposed implementations of patent policies in the international arena made several years ago that arguably were being made to compel licensing of U.S. technology to foreign competing interests contrary to the rights of patent holders. I would caution against our own government setting forth guidelines that could be used to possibly disadvantage U.S. competitive interests abroad.

I strongly believe that the standards development process in the U.S. and internationally, is effective, including the manner in which it addresses the inclusion of patented material. For many years the standards community has been cognizant of the issues that exist in connection with using patents in the development of standards, and these issues have been considered and addressed. Industry guidelines have also been developed, and highly sophisticated counseling is available from legal sources that are intimately familiar with all the vagaries of the issues.